

**SECTION 5**  
**CHAPTER 1**  
**OFFICE OF INSPECTOR GENERAL AUDIT REPORTS**

**A PARTNERSHIP: THE OFFICE OF INSPECTOR GENERAL AND  
AND THE OFFICE OF FINANCIAL MANAGEMENT**

The Inspector General Act of 1978 established the OIG in federal departments and agencies. The objective of the Act was to create independent and objective offices to provide policy direction for conducting, supervising, and coordinating audits, investigations, and other activities to promote economy, efficiency, and effectiveness and to prevent and detect fraud, waste, abuse and mismanagement in programs and operations. The Department of the Interior OIG reports directly to the Secretary of the Interior and the Congress on problems and deficiencies relating to the administration of Departmental programs and operations identified during audits including making recommendations to correct deficiencies.

The Inspector General Act requires the OIG to report semiannually (no later than April 30 and October 31) to the Secretary and the Congress on significant problems, abuses, and deficiencies found in programs and operations during each reporting period. The reporting periods cover the periods from October 1 to March 31 and from April 1 to September 30. The Office of Financial Management (PFM) assists the OIG in the preparation of its semi-annual reports by providing updated information on the status of audits that the OIG has referred to PFM for resolution and/or tracking.

The OIG and PFM work cooperatively throughout the year to resolve, track, and monitor the impact of audit recommendations on the programs and operations of the Department and to report on the progress Departmental management is making to correct deficiencies cited in OIG audit report recommendations.

While the OIG conducts and issues audit reports, the Departmental Audit Follow-Up Official, who has delegated day-to-day responsibility for the Audit Follow-Up Program to the PFM, resolves impasses between the OIG and management, and tracks, monitors, and reports on the audits that have been referred to it by the OIG. The smooth transition from audits under the purview of the OIG to audits that have been referred by the OIG to PFM, enables the Departmental Audit/Audit Follow-Up Programs to operate efficiently and effectively. The additional components of audit liaison officers and management, working together to identify, respond to, resolve, track, and close audit recommendations and reports ensures that all levels of the Department are working cooperatively to make the entire Audit/Audit Follow-Up Programs work for maximum efficiency and also allows the Department to meet its GPRA goals.

## **SECTION 5**

### **CHAPTER 2**

#### **INTERNAL AUDIT REPORTS**

The objectives of an internal audit (also referred to as a program audit) include determining: (1) The extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved; (2) The effectiveness of organizations, programs, activities, or functions; and, (3) Whether the audited entity has complied with laws and regulations applicable to the program. The OIG conducts and issues internal audits and evaluations of a Departmental, bureau, or office program or operation, or an audit of an insular area or tribal government.

The internal audit process (see flowchart at the end of the chapter) begins with a memorandum from the OIG to the appropriate management official (either an assistant secretary or a bureau/office director) announcing the start of an audit. An entrance conference is coordinated between the OIG and appropriate management whether Department-wide or bureau/office specific. The entrance conferences' purpose is for the OIG to discuss the scope and objectives of the new audit start. The OIG can also choose to provide only general information and state that after the audit survey phase, specific audit scope and objectives will be defined. Generally, after the entrance conference audit work will begin.

After the audit work has been completed, the OIG holds an exit conference with program officials. It is during the exit conference that the OIG discusses preliminary audit findings and can ask for additional information prior to the issuance of a draft audit report. Management and program officials are encouraged to use the exit conference as an opportunity to thoroughly review and discuss preliminary findings with the auditors, to voice objections or concerns with the preliminary audit findings, and to consider issues that may impact the implementation of audit recommendations such as the availability of funds needed to implement audit recommendations or the need to publish regulations.

Factors that impact the implementation of audit recommendations should be taken into consideration when establishing target implementation dates. Management should establish target implementation dates that are both reasonable and achievable. Target dates should allow sufficient time for completion of all required actions so that delays of implementation dates may be kept to a minimum. If it is necessary to establish long-term corrective action dates, an interim corrective action plan should be established and provided to PFM that describes continuing actions that will be taken so that the impact of a deficiency on affected programs and operations may be kept to a minimum.

After all audit work has been completed, the OIG will issue a draft audit report to which management normally has 30 – 45 calendar days to respond. Draft reports allow management the opportunity to review audit findings and provide comments that are incorporated into the final report. If, after management has responded to the recommendations in the final internal audit report, the OIG and management cannot agree on management's proposed corrective actions, or if management disagrees with the OIG's findings, the OIG will refer the report to PFM (through the Assistant Secretary - PMB) for resolution within 90 calendar days of the

report's issuance. OMB Circular A-50, "Audit Follow-Up," directs that resolution should be made within a maximum of six months after issuance of a final report.

### **Internal Audit Reports Referred for Resolution**

Because the audit follow-up official has delegated responsibility to PFM, the OIG refers internal reports directly to PFM for resolution action (see flow chart at the end of the chapter). Upon receipt of the referral, PFM enters the report and its recommendations into Departmental tracking and notifies management and the appropriate audit liaison officer of the referral.

PFM will review the issues in dispute and discuss these issues with management and the OIG in an informal attempt to reach agreement on audit findings and/or corrective actions. If PFM is unable to achieve resolution at this point, PFM will present the disputed issues to the Assistant Secretary - PMB with a suggested resolution plan. Upon the Assistant Secretary-PMB's determination of the resolution of the recommendations (known as the management decision), management and the OIG are notified and the report is closed unless there are open corrective actions which must be tracked through final action.

The OIG also refers to PFM for resolution, audit reports for which management has not responded within the specified time frame (30 calendar days for a final internal report). PFM then assumes responsibility for requesting and receiving management's response and making the final determination of the adequacy of the response. If all corrective actions have been taken when management responds, PFM closes the report and notifies management, the Audit Liaison Official, and the OIG of closure. If all corrective actions have not been taken, the report is entered into Departmental tracking through final action.

### **Internal Audit Reports Referred for Tracking**

After management officials have reviewed the recommendations contained in an internal audit report and all corrective actions have been taken at this point, the audit report is closed by the OIG. If, however, there are any incomplete or unimplemented corrective actions, the OIG refers the report to PFM for departmental tracking (see flowchart at the end of the chapter). The date of the referral of the report to PFM for tracking is considered the date of the management decision. **Once the OIG has referred a report to PFM for tracking, the OIG closes the audit out in its tracking system and all tracking action becomes the responsibility of PFM.** All correspondence pertaining to the referred report should be provided to the Focus Leader, Internal Control and Audit Follow-up, PFM.

Upon receipt of a referral for tracking, PFM enters the report into departmental tracking and notifies the appropriate management official and audit liaison officer of the referral. PFM will continue to track unimplemented recommendations until sufficient documentation has been provided by management that all recommendations have been implemented and PFM makes a determination that the report may be closed.

## **Delays of Target Implementation Dates**

Delays of target implementation dates occur when final implementation action has not been accomplished by the target date established by management. The Department considers delays of target dates to have a negative impact on programs and operations affected by the OIG recommendation. An indication of the importance the Department places on the timely implementation of audit recommendations is the establishment of an annual GPRA performance measure for timely completion of recommendations on schedule.

As soon as management becomes aware that an unimplemented recommendation will not be completed by the established target, PFM must be notified. Management's notification should provide an explanation for the delay, a new target date, and the name(s) of the official(s) responsible for implementation. Audit liaison officers should stay abreast of target dates so that they may notify the appropriate officials of the impending date and should coordinate with PFM, new information regarding corrective action target dates. It is imperative that PFM is informed of delay and revised target dates so that the Departmental audit follow-up tracking system is current and up to date.

## **Closure of Audit Reports and Documentation of Final Action**

An internal audit report that has been referred to PFM for tracking may be closed when all unimplemented recommendations have been completed and accepted by PFM. Management is responsible for notifying PFM of the implementation of each recommendation until all recommendations have been completed. Management's notification must be complete, i.e., the notification should describe the OIG's recommendation and should discuss, in detail, all actions that were taken to implement the recommendation, how the implementation actions relate to the audit recommendation, and provide appropriate documentation of those actions.

The determination by PFM to close a recommendation is based upon the content of the OIG's recommendation and management's description and support for the actions that have been taken in response to the recommendation. For example, if the recommendation was for management to hire a computer analyst, the notification of implementation of the recommendation must provide the employee's name, date of hire, and, if appropriate, a copy of the position description. If the recommendation was to issue a specific directive, the notification of final action must state when the directive was issued and a copy of the directive must be provided. If the OIG recommends that a specific rule be developed and management provides documentation, in the form of a copy of the proposed rule, this action meets the intent of the recommendation and should be closed. If, however, the OIG recommends that a rule be published in the Federal Register, the recommendation cannot be closed until the rule has, in fact, been published in the Federal Register, either as a proposed or final rule. In that example, management's notification to PFM must include a copy of the proposed or final rule.

Examples of appropriate supporting documentation include, but are not limited to:

- Bureau/office manual chapters
- Departmental Manual chapters

- New or revised policies and/or operating procedures
- Code of Federal Regulation or Federal Register chapters

In those instances where supporting documentation may be too voluminous to reasonably provide to PFM, such as bureau policy manuals, an appropriate citation or reference or website is acceptable as long as the original documentation is available upon request by PFM.

There may be occasions where PFM closed an audit recommendation/report but the OIG does not concur and can ask for additional information or request the recommendation/audit be reopened.

The OIG often performs follow-up audits of issues that were previously reported. Follow-up audit reports will usually discuss recommendations made in previous reports and whether, during the follow-up audit process, the OIG has determined that recommendations made in earlier reports have been implemented. PFM will close those recommendations made in earlier reports that the OIG says have been implemented. All other recommendations will remain unimplemented until management requests closure from PFM.

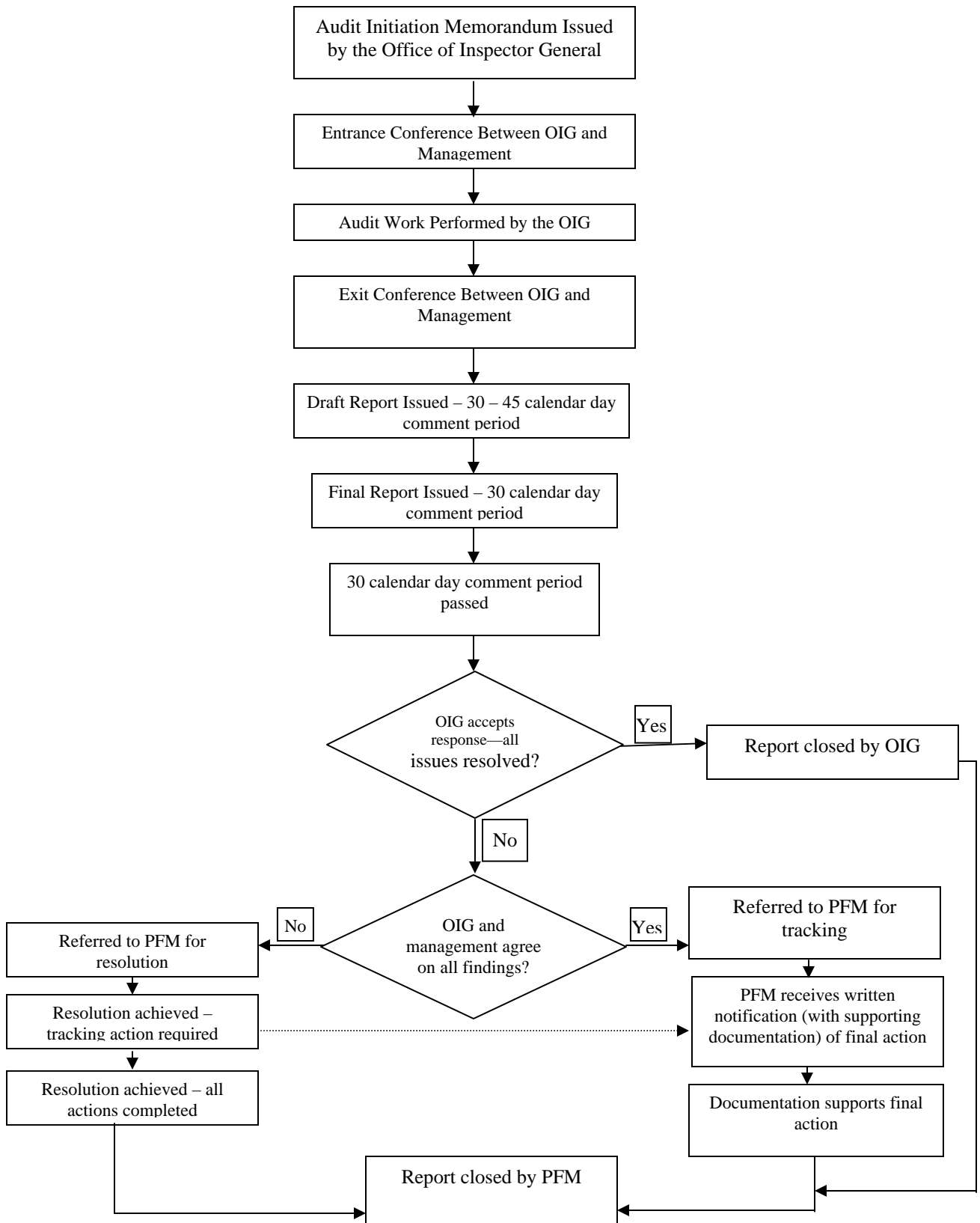
### **Internal Audits with Monetary Findings**

For internal audit reports that contain OIG's assessment of the monetary impact of findings, such as funds to be put to better use, or potential additional or unpaid revenue, management is expected to indicate agreement or disagreement with the OIG's assessment of the monetary impact of the findings in its response to the audit report. If management has not indicated agreement with the monetary impact findings at the time of referral, the monetary finding(s) will not be entered into the Departmental tracking system.

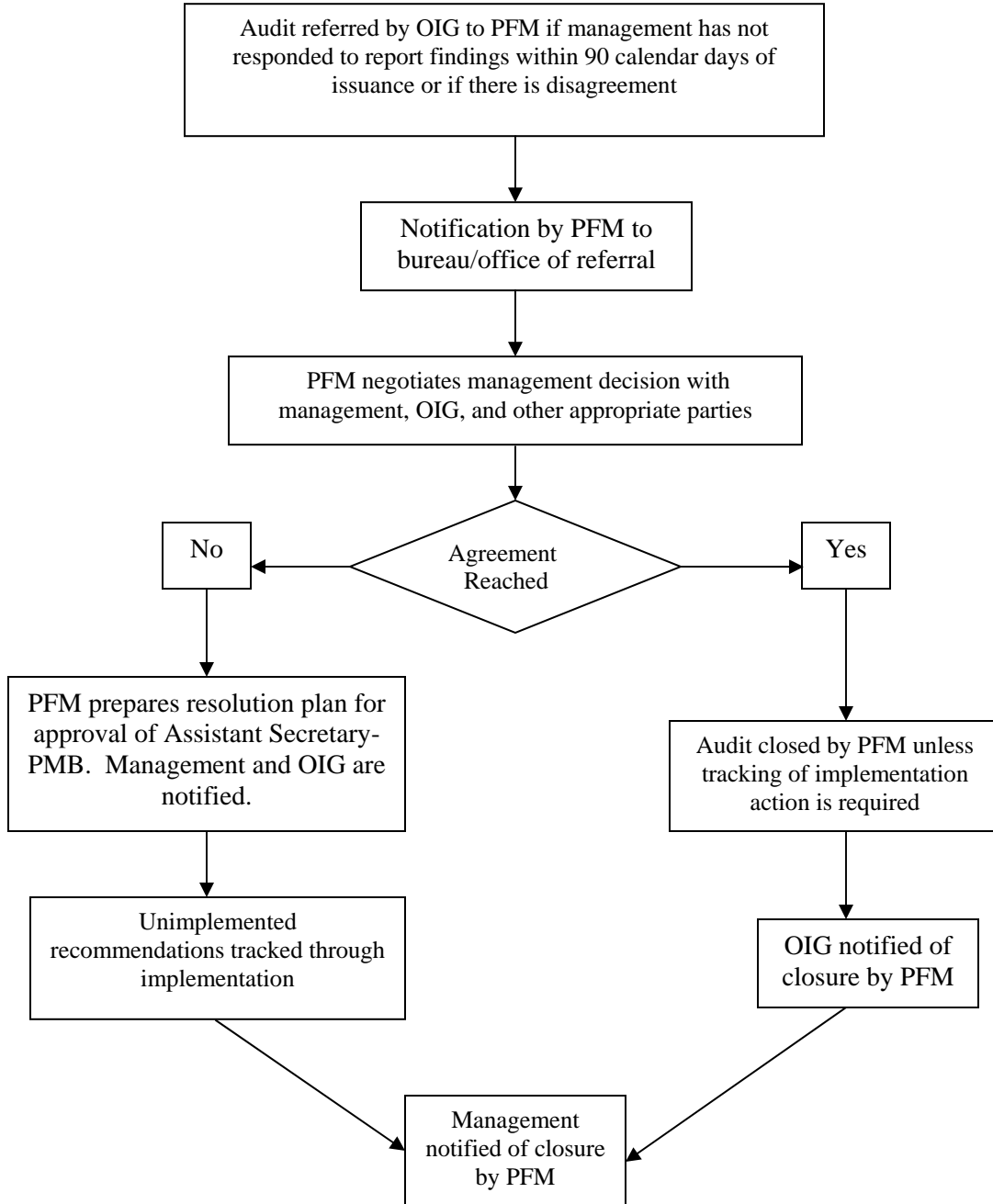
### **Insular Area Audits**

The Department has administrative responsibility for coordinating federal policy in the territories of American Samoa, Guam, the U.S. Virgin Islands and the Commonwealth of the Northern Mariana Islands, and oversight of federal program funds in the freely associated states of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The OIG has responsibility for conducting audits of insular area governments. The scope of the audits of insular areas conducted by the OIG include federal funds received by insular area governments and of local funds and issues. The OIG refers and PFM tracks, however, only those audits of insular area governments that involve federal funds and programs.

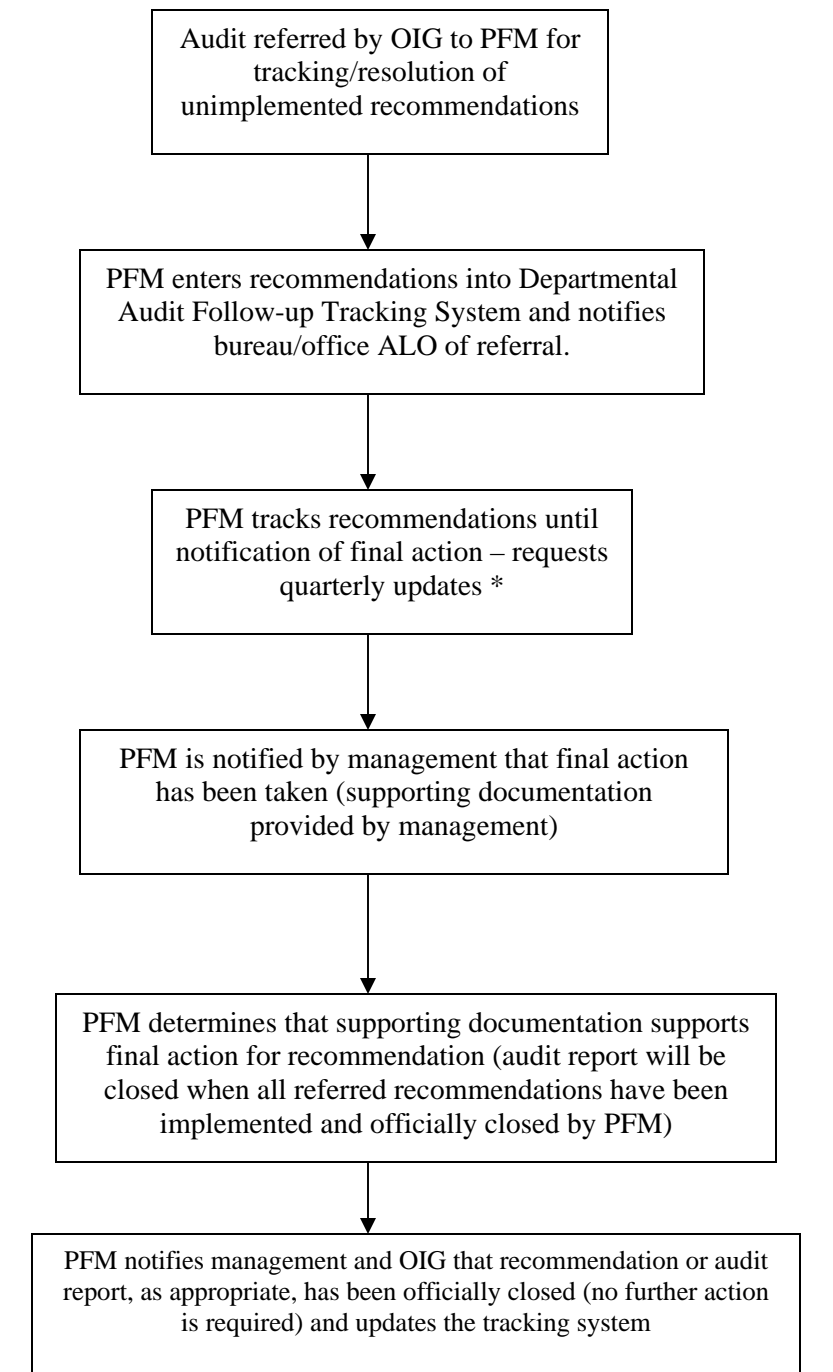
## INTERNAL AUDIT PROCESS – OFFICE OF INSPECTOR GENERAL AUDIT REPORTS



**RESOLUTION OF INTERNAL AUDITS  
ISSUED BY THE OFFICE OF  
INSPECTOR GENERAL**



**PROCESS FOR TRACKING INTERNAL AUDIT REPORTS  
REFERRED BY THE OFFICE OF INSPECTOR GENERAL**



\* Financial statement audits status is reported on a monthly basis



## **SECTION 5**

### **CHAPTER 3**

### **EXTERNAL AUDIT REPORT**

An external audit is defined as a single audit, a grant audit, a pre-award audit of contractor proposed future costs, a concessions audit, or a contractor claim audit. External audits may be conducted by the OIG, a state or local auditor, or the Defense Contract Agency. Grant audits are the most frequent type audit reports referred to the Audit Follow-up Official for action by the OIG.

#### **Single Audits**

The Single Audit Act of 1984 (Public Law 98-502), authorizes the conduct of single audits of state and local governments that are recipients of federal funds. OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," provides policies and procedures for federal agencies to use when conducting or supervising single audits. Audits performed under the Single Audit Act are intended to satisfy all federal agencies providing assistance to the entity. Non-federal organizations that expend \$500,000 (\$300,000 or more in fiscal years ending prior to December 31, 2003) or more in federal awards are subject to the requirements of the Single Audit Act and OMB Circular A-133. Single audits are conducted by auditors that are usually local certified public accounts. Non-federal auditors retained by state and local governments follow federal guidelines in performing single audits.

#### **Grants Administration**

Bureau/office programs are responsible for administering grant agreements or cooperative agreements awarded which reflect the cooperative effort and the respective interests, investments, and rights of the parties of the agreement. Bureau/office programs are responsible for accessing the Federal Audit Clearinghouse website (<http://harvester.census.gov/sac>) to determine when audit reports have been submitted. If audit reports have not been submitted, bureau/office programs shall request follow-up action by the Clearinghouse. At their discretion, and in accordance with guidance at 43 CFR 12, programs may consider the imposition of sanctions, e.g. award no new grants in cases of continued inability or unwillingness of applicable financial assistance awardees to have audits conducted in accordance with the requirements of the Single Audit Act of 1984 and OMB Circular A-123.

A-133 assigns the Federal Awarding Agency with the responsibility of ensuring that single audit reports are received in a timely manner. While BIA has a sanction policy, the Common Rule is applicable to 638 contracts only to the extent negotiated in the contract.

#### **Tracking Single Audits**

Secretarial Order 3254, dated June 24, 2005, transferred the report processing function from the OIG to PFM. PFM issues single audit reports and tracks the status of recommendations and questioned costs in its management tracking system to final action.

During the audit, an auditor will question a cost:

- That resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds;
- Where the cost, at the time of the audit, is not supported by adequate documentation; or
- Where the costs incurred appear unreasonable.

PFM tracks disallowed costs of \$1,000 or more. Although the Department does not track disallowed costs less than \$1,000, bureaus and offices continue to have to monitor, track, and collect all debts owed the Department authority and are encouraged to do so.

Management is responsible for reviewing auditee responses and all costs questioned by auditors and determining if the costs are sustained (management agrees with the auditors questioning of the costs and costs must be repaid by the auditee) or if the costs may be reinstated (management determines that the costs is allowed and does not have to be repaid). Awarding officials may also determine that a cost is not authorized under the terms of the contract, compact, or grant, even if the costs were not identified by the auditor as a questioned cost.

When bureaus notify PFM of single audit final actions, PFM is responsible for determining that appropriate documentation to support the accomplishment for final action has been furnished and that an audit may be closed.

Final action on disallowed costs may include:

- Collection – which occurs when the auditee remits payment of disallowed costs to the Department;
- Offset – which means the collection of audit-related debt by means of offsets against other monies due from the federal government;
- Write-off – which means a decision by management that collection action is not in the best interest of the federal government;
- Reinstatement – which means a determination by an awarding official that the auditee has, subsequent to the decision to disallow, provided sufficient documentation to support the expenditure of funds, and
- Transfer of disallowed costs to the Department of the Treasury for collection action.

## **Closure of External Audit Reports in Tracking**

PFM is responsible for making the determination that sufficient actions have been taken and documented to close an external report in tracking. Management's notification to PFM must be specific and detailed, to evidence what action was required and what action has been taken. Specific documentation must accompany management's notification of final action. Documentation may include, but is not limited to the following:

For disallowed costs that have been collected:

- A copy of a payment check;
- A copy of a bill for collection that has been annotated with information concerning payment (date and form of payment, check number, and the official accepting payment);
- A memorandum signed by an appropriate official (assistant secretary, bureau/office director, or awarding official) certifying that payment has been made or that disallowed costs have been referred to the Department of the Treasury for collection action.

For disallowed costs that have been offset or written-off:

- A memorandum signed by the appropriate official in accordance with Departmental Manual Chapter 344 (Debt Collection).

In order to ensure effective recovery of audit-related debt, bureaus and offices are expected to establish adequate accounting and collection controls and systems to ensure that audit-related debt is tracked, recovered, and reported. Disallowed costs should be collected in accordance with the Federal Claims Collection Standards, unless otherwise required by statute.

Collection of disallowed costs for grants issued under the authority of the Indian Self-Determination and Education Assistance Act, as amended (Public Law 93-638) is time-barred if an appealable notice of disallowance has not been provided to the grantee within 365 calendar days of receipt of the report by the Department (Section 106(f)). Awarding officials should be aware of this provision so that tribes are promptly notified of a decision to disallow questioned costs.

## **Referral of Audit Reports to the Department of the Treasury**

The Debt Collection Improvement Act of 1966 makes the Department of the Treasury responsible for collecting delinquent debts Government-wide. The Act requires agencies to transfer the delinquent, non-tax debt over 180 calendar days delinquent to Treasury; the Act also applies to audit-related debts such as disallowed costs. In order to effectively collect the debts that agencies refer, Treasury issues demand letters, conducts telephone follow-up, refers debt for administrative offsets, and refers debts to private collection agencies. Audit-related debt that are in litigation or have been appealed by a grantee, is exempted from transfer to Treasury.

## **Contract/Grant Audits**

The OIG is responsible for conducting audits of awards of funds expended under the authority of OMB Circular A-110, "Uniform Administrative Requirements of Grants and Agreement With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," as it applies to grants and contracts awarded by the Department to recipients and, through recipients, to sub-recipients. A contract audit is an audit of a government contract for goods and services with profit as well as non-profit organizations.

### **Contract/Grant Audits Referred for Resolution**

When management has not responded to a contract or grant audit within 120 calendar days of issuance of the report, the report is referred to PFM for resolution. When PFM has received a referral for resolution, PFM will contact management and request their response to the audit report. Once the response has been received, PFM will review the response for adequacy (i.e., the response adequately address all findings). If the response is incomplete, PFM will request additional information. If the response adequately addresses all findings and if all required corrective actions have been taken, the report is closed by PFM and management, the Audit Liaison Official, and the OIG are notified. If the response adequately address all findings but one or more recommendations have not been implemented, for instance if there are disallowed costs that have not been collected, PFM enters the report into the Department tracking system and tracks the audit until final action has been achieved and the report is closed by PFM.

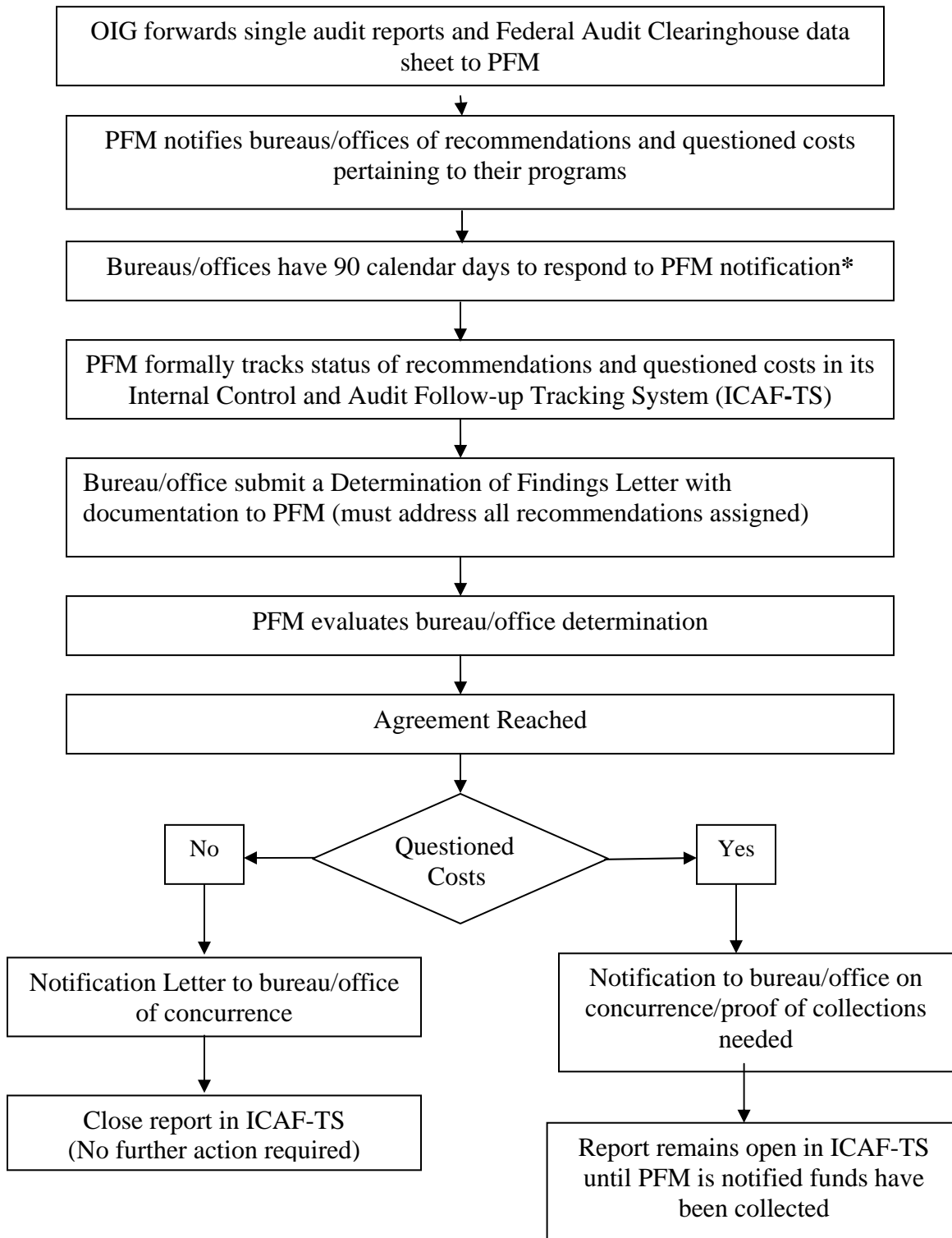
### **Audits on Official Appeal**

As previously stated, once an external audit report has been issued, management officials are responsible for reviewing the auditee response to determine the adequacy of the response. In cases where management has made a finding of disallowance of questioned costs, and has requested that the costs be repaid, an auditee has the right to appeal the finding of disallowance. An official appeal must be filed with the Interior Board of Contract Appeals or, in some instances, with a local or state court; Indian Tribes may also appeal to federal courts under the regulations in Public Law 93-638. PFM must be notified by management when an auditee has appealed any aspect of management's findings; PFM continues to track audits on appeal until it has been notified by management of an official determination on the merits of the appeal. The notification to PFM should include what body is viewing the appeal, a docket number in the case of appeals filed with the Interior Board of Contract Appeals, or a case number for an appeal filed with another body. When the appeal has been resolved, PFM is to be notified of the disposition of the finding and whether further tracking is required.

In cases where a contractor has submitted a claim for reimbursement for services render, or if the contractor requests additional funds, an awarding official may request that the OIG perform an audit of the contractor's claim. If OIG questions a submitted claim and management agrees with the OIG's finding, a contractor may file an appeal of the finding of disallowance. In these situations, PFM will track the audit through disposition of the appeal. If all issues have been resolved at this point, PFM will close the audit; if there are incomplete issues, they will be

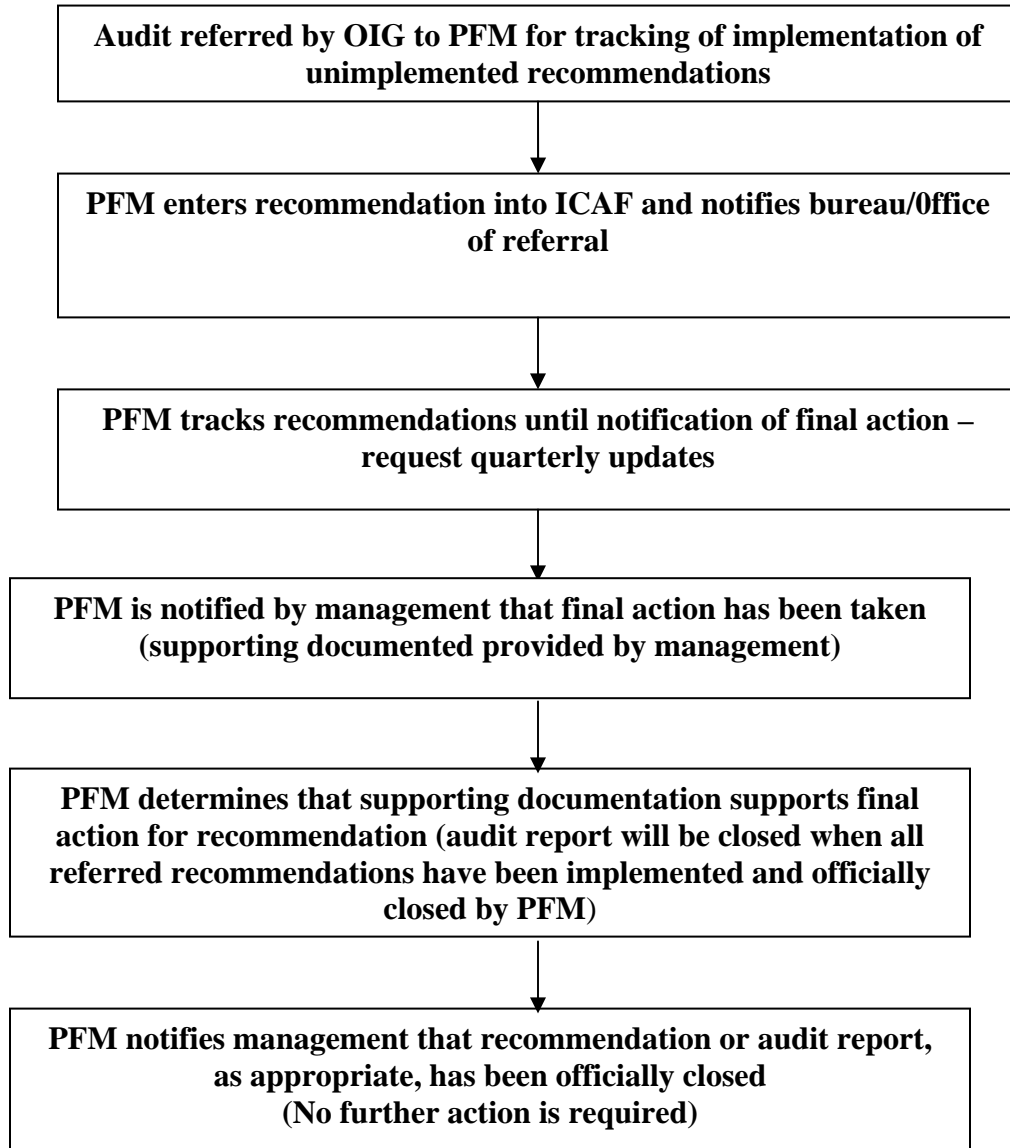
tracked by PFM though final action. The report will remain open until PFM has been notified by management that all issues on appeal have been addresses and will continue to be reported by PFM to the OIG as open even though management cannot take action to close the report until the appeal is decided.

## PROCESS FOR ISSUING SINGLE AUDIT REPORTS



**\* If no response within 90 calendar days PFM contacts bureaus/offices Audit Liaison Officer.**

**PROCESS FOR TRACKING CONTRACT/GRANT AUDIT REPORTS  
REFERRED BY THE OFFICE OF INSPECTOR GENERAL**



**SECTION 5**  
**CHAPTER 4**  
**FINANCIAL STATEMENT AUDITS**

The CFO Act of 1990 (Public Law 101-576), directs that each federal agency shall prepare and submit to the OMB, a financial statement for the preceding fiscal year, covering:

- Each revolving fund and trust fund of the agency; and,
- To the extent practicable, the accounts of each office, bureau, and activity of the agency which performed substantial commercial functions during the preceding fiscal year.

The CFO Act further specifies that each financial statement of an executive agency shall reflect:

- (1) The overall financial position of the revolving funds, trust funds, offices, bureaus, and activities covered by the statement, including assets and liabilities thereof;
- (2) Results of operations of those revolving funds, trust funds, offices, bureaus, and activities;
- (3) Cash flows or changes in financial position of those revolving funds, trust funds, offices, bureaus, and activities; and
- (4) A reconciliation to budget reports of the executive agency for those revolving funds, trust funds, offices, bureaus, and activities.

**Preparation of Financial Statements**

Financial statements for the Department and the bureaus will be prepared and audited on an annual basis. Final financial statements, including the auditor's opinion on the financial statements, will be issued within 45 days of year end (November 15). If the financial statements for the Department cannot be completed by the statutory due date, the Department will provide OMB with a written explanation of the reason for the delay and the expected date of completion.

The financial statements will be prepared in compliance with OMB's "Form and Content of Agency Financial Statements" (OMB Bulletin No. 01-09 or its successor documents).

**Audit Opinion on Financial Statements**

The audit opinions will be issued in compliance with OMB Circular A-136, Financial Reporting Requirements." The audit opinion will include the following:

- (1) An opinion as to whether the reporting entity's Principal Statements and Required Supplementary Information is fairly presented in all material respects, in conformity with Federal Accounting Standards;
- (2) A report on internal controls; and
- (3) A report on the reporting entities compliance with applicable laws, regulations, and governmentwide policy requirements.



## **Reporting Entity Responses to Audit Opinion Findings**

As required by OMB's audit guidance, the reporting entity shall provide comments on the auditor's findings and recommendations included in the audit report, including corrective actions taken or planned and comments on the status of corrective actions taken or planned and comments on the status of corrective action taken on prior findings. To the extent practical, these comments shall be included in the audit report on internal controls or report on compliance. Departmental response to audit findings shall be provided to the Office of Inspector General within 14 calendar days of the issuance of the draft report to allow for the timely publication of the audited financial statements, but no later than December (specific dates provided in Annual Guidance document).

## **Correction of Material Weaknesses and Reportable Conditions**

Material weaknesses, reportable conditions reported in the auditors opinion, internal control deficiencies, and/or noncompliance issues audit recommendations will be tracked in the Department Audit Follow-Up Tracking system in a similar manner as other OIG and GAO audit recommendations. Corrective action plans with appropriate interim milestones and target dates will be developed by Bureau Chief Financial Officers, ALOs and other cognizant offices, and updated on a regular basis. The audited entity should seek to complete corrective action plans before the next annual financial statement audit. The Department will monitor implementation progress to ensure completion of corrective actions by original target dates.

Specific requirements for corrective action plans are detailed in "Corrective Action Plan Contents."

## **Non-Compliance with Federal Financial Management Improvement Act (FFMIA)**

The Department will comply with policies and guidance on reporting of FFMIA non-compliance. Required corrective action plans related to FFMIA non-compliance will be provided to OMB, as required. The Department will use the Audit Follow-Up Tracking System and implementation progress information to monitor corrective action plans to bring the Department or individual bureaus into compliance with the FFMIA.

## **Corrective Action Plans Contents**

To ensure results, corrective action plans must adhere to the following framework:

1. Summary Description of the Deficiency – Provides a summary description of the deficiency.
2. Year First Identified – Lists the first year that the deficiency was identified.
3. Target Correction Date – Unless adequately justified, all material weaknesses and noncompliance issues must be corrected within one year. To ensure that deficiencies are corrected prior to the beginning of the next year's audit process, final correction of the deficiency should end June 30 to allow sufficient time for testing to ensure that the material weakness/noncompliance issue has been

- corrected. Extensions beyond the June 30 deadline may be granted by PFM, but IT security weaknesses must be completed by June 30.
4. Accountable Official – Senior manager(s) in charge of the program where the weakness or noncompliance issue was identified (including field office and/or headquarters, if applicable);
  5. Summary of Corrective Actions – Lists specific actions/milestones and targeted dates by fiscal quarter in ascending order, and total resources associated with and committed to each milestone. As each specific milestone is completed, list the correction date, and where appropriate, the location of the supporting documentation for review upon request by PFM, OIG, or the independent auditor.
  6. Funding – Must be set aside (tied to the budget), and must be sufficient to completely correct the weakness or noncompliance issue. For deficiencies requiring multi-year corrective action plans, costs for each year must be identified in the plan and in the bureau/office budget. Funding may not be moved to other priorities.
  7. Quarterly Corrective Action Milestones – A comprehensive listing of specified actions/milestones and targeted completion dates by fiscal quarter in ascending order, and the total resources associated with and committed to each action/milestone. As each specific milestone is completed, list the correction date, and where appropriate, the location of the supporting documentation for review upon request by PFM, the OIG, or the independent auditors.
  8. Metrics – Should be developed to measure the progress in completing the corrective action. Metrics should also be developed that demonstrate that the actions taken actually remedied the weakness/noncompliance.

The required format for submission of the Corrective Action Plan is Addendum A.

**NOTE:** Corrective Action Plans for IT security issues must agree with what is submitted for the POA&Ms (discussed in section 3). The same actions, funding, dates, etc., must be evident in both the Corrective Action Plan and the POA&M!

### **Reporting on Material Weaknesses and Noncompliance Issues**

The PFM currently requires monthly status reports on the correction of all material weakness and noncompliance issues identified in the financial statement audit. If a bureau/office reports consistently on time and is achieving a green status, PFM may approve quarterly reporting.

The first report on the status of the material/noncompliance issue is due to PFM 30 calendar days after the issuance of the final audit report. Beginning in January 30 (or the last work day of the month) and each end of month thereafter, a report on the status of the CAP is due to PFM. The status report should indicate if the CAP is on schedule, which milestones are completed, and which, if any, have been delayed. If delays have occurred in the completion of monthly milestones, a brief explanation for the delay, whether the delay impacts the bureau/office ability to meet the final deadline, how the bureau/office expects to get back on track, and the revised correction date should be noted.

PFM will summarize the CAP information in a scorecard format and provide an advance copy for comment to each bureau CFO. Bureaus have one day to offer any comments. The scorecard will then be forwarded to the Assistant Secretary – PMB.

### **Status Reports on OIG and GAO Audit Recommendation Implementation Not Contained in the Financial Statement Audits**

In order to ensure the timely completion of corrective actions for all recommendations contained in audits prepared by the OIG and GAO, a report should be provided to PFM on a monthly basis. This monthly report will include the status of ALL open audit recommendations for ALL audits currently in tracking and/or resolution. If delays have occurred in implementing audit recommendations, a concise statement of the reasons for the delay along with a revised target date must be provided.

If a bureau/office reports consistently on time and is achieving a green status, PFM may approve quarterly reporting

**NOTE: The progress reports for FMFIA material weaknesses, audited financial statement material weaknesses, noncompliance issues, as well as other recommendations contained in the audited financial statement audits are to be submitted to PFM monthly.**

Based on the progress information provided by the bureaus, PFM will prepare a summary scorecard for the Assistant Secretary - PMB, with an information copy to each bureau ICC and Audit Liaison Officer. The information in these reports will be used to determine bureau status in accomplishing the GPRA goal for audit recommendation implementation.

### **Validation of the Completion of Material Weakness Corrective Action Plans**

As in previous years, bureaus must verify the completion of material weakness corrective action plans. Documentation for the correction of noncompliance issues and FMFIA weaknesses should also be verified, maintained, and made available upon request. Bureaus will be expected to maintain appropriate supporting documentation for each corrective action plan in a central location for subsequent review and validation by the Department and/or OIG staff. Retention of records is dependent on individual records retention schedules.

### **Mid-year and Year End Progress Meeting**

Bureaus/offices are required to participate in a mid-year and year-end progress meeting with PFM, PMB, and OIG; these meetings are usually held in May and October, respectively. The purpose of the meetings is to review program status and discuss and resolve other pertinent audit follow-up issues. Additional progress meetings will be scheduled as necessary by PFM. A senior management official with the authority to make decisions regarding policy issues that affect audit recommendations should be in attendance. It is recommended that individuals designated with the responsibility to correct material weaknesses/noncompliance issues attend these meetings.

**CHAPTER 5**  
**ADDENDUM A**  
**Corrective Action Plan for Material Weaknesses and Noncompliance Issues Audited**  
**Identified in Financial Statements**  
As of (date) \_\_\_\_\_

**Bureau:**

**Title of Material Weakness or Noncompliance Issue:**

**Check One:** Material Weakness \_\_\_\_ Noncompliance Issue \_\_\_\_ FMFIA \_\_\_\_

**Carryover Issue or New this Fiscal Year:**

**Brief Description of Material Weakness or Noncompliance Issue:**

**Planned Correction Date Reported in PAR:**

**Current Planned Correction Date (NTE June 30):** (explain reasons for any date change)

**Program/Organizational Component Where Weakness or Issue Resides:**

**Accountable Officials:** (Name, Title, Telephone Number & E-mail Address)

- Headquarters: \_\_\_\_\_
- Field-level: \_\_\_\_\_

**Funding Amount Committed for Corrective Actions:** \$ \_\_\_\_\_

**Appropriation Account:** \_\_\_\_\_

**Summary of Corrective Action Plan:**

**Quarterly Corrective Action Milestones:** (list specific actions/milestones and targeted correction dates (\*) by fiscal quarter in ascending order, and total resources associated with and committed to each action/milestone. As each specific milestone is completed, list the correction date, and where appropriate, the location of the supporting documentation for review upon request by PFM, OIG or the independent auditors).

**Metrics:** List the metric(s) that will be used to demonstrate progress (not to include achievement of corrective action milestones) and those that will be used to demonstrate that the corrective actions taken remedied the deficiency.

**CHAPTER 5**  
**ADDENDUM B**  
**Key Audit Follow-up Terms**

***Disallowed Cost*** - An incurred cost questioned by the audit organization that management has agreed should be repaid by the grantee.

***External Audit*** - A single or grant audit, or a contractor claim audit.

***Final Action*** - The completion or implementation of all actions to be taken regarding audit recommendations.

***Final GAO Report*** - GAO's final report to the Congress on its findings and recommendations.

***Financial Statement Audit*** - An audit conducted by the OIG or an independent auditor of the financial statements of a bureau/office.

***GAO Audit*** - An audit or review of Departmental programs that is conducted by the GAO at the request of the Congress, mandated by legislation, or for other purposes determined by the GAO to be in the best interest of the federal government.

***GAO Draft Report*** - A GAO report providing the analysis, findings, and conclusions of an audit.

***GAO Entrance/Exit Conference*** - Meetings held at the initiation and completion of GAO's audit work.

***Management Decision*** - The evaluation by management of the findings and recommendations made by the auditor and the issuance of an appropriate corrective action plan.

***Notification Letter*** - A GAO letter that provides a brief description of planned audit work.

***Oral Briefing*** - A briefing by GAO auditors to the Congressional requester which concludes the audit.

***Program Audit*** - An audit of programs operated by or funded by the Department.

***Referral*** - The process by which the OIG sends audit reports to the audit follow-up official for resolution and/or tracking of final implementation action.

***Resolution*** - The point at which agreement is reached regarding actions to be taken to implement audit recommendations.

***Single Audit*** - An audit of a grantee which is comprised of an audit of the entity's major federal and state award programs, conducted by state or local auditors.

***Questioned Cost*** - A cost that is questioned by auditors because the cost is not supported by adequate documentation.